Does Microfinance Reach the Poorest? Empirical Evidence of Programme Outreach from Rural Pakistan

Asad Ghalib

Institute for Development Policy and Management (IDPM). School of Environment and Development (SED)
University of Manchester

asad.ghalib@postgrad.manchester.ac.uk
Distribution of Active Borrowers

Legend

<table>
<thead>
<tr>
<th>Scale</th>
<th>Active Borrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>1 - 10,000</td>
<td></td>
</tr>
<tr>
<td>10,001 - 25,000</td>
<td></td>
</tr>
<tr>
<td>25,001 - 50,000</td>
<td></td>
</tr>
<tr>
<td>50,001 - 100,000</td>
<td></td>
</tr>
<tr>
<td>&gt;100,000</td>
<td></td>
</tr>
</tbody>
</table>
THIRTY SIX DISTRICTS OF PUNJAB (PAKISTAN)

1. Attock
2. Bahawalnagar
3. Bahawalpur
4. Bhakkar
5. Chakwal
6. Chiniot
7. Dera Ghazi Khan
8. Faisalabad
9. Gujranwala
10. Gujrat
11. Hafizabad
12. Jhang
13. Jhelum
14. Kasur
15. Khanewal
16. Khushab
17. Lahore
18. Layyah
19. Lodhran
20. Mandi Bahauddin
21. Mianwali
22. Multan
23. Muzaffargarh
24. Narowal
25. Nankana Sahib
26. Okara
27. Pakpattan
28. Rahim Yar Khan
29. Rajanpur
30. Rawalpindi
31. Sahiwal
32. Sargodha
33. Shekhupura
34. Sialkot
35. Toba Tek Singh
36. Vehari
Indicators for Capturing Household Data

- **Human resources**
  - Aspects related to household-related characteristics, demographic features and income & expenditure, etc.

- **Dwelling-related indicators**
  - Variables relating to physical dwelling-related conditions of respondents

- **Food security and vulnerability**
  - Features relating to food purchase and its storage, as well as quality of food consumed in the household

- **Ownership of household assets**
  - Information regarding transport-related assets, appliances and electronics and livestock, etc.
Data captured

- Household-related data
- Dwelling-related indicators
- Data regarding ownership of household assets
- Other asset-based indicators
- Assessment of food security and vulnerability
Household-related data

- Household size (number of children, ages, etc)
- Level of education (HH adults and school aged children)
- Incidences and reasons of children’s school drop out
- Annual expenditure on clothing and footwear
- Household Expenditure and Income
Dwelling-related indicators

- Ownership of accommodation
- Materials used for roofing and floor
- Number of rooms per member of household
- Availability and quality of toilet and sanitation facilities
- Type of fuel used for cooking
- Source of water supply and its disposal
Ownership of household assets

- Livestock: cattle and buffalo, sheep and goats, poultry, horses, etc.
- Transportation-related assets: motorcycle, bicycle, carts, etc.
- Appliances and electronics: television, refrigerator, washing machine, mobile phone, sewing machine, etc.
- Ownership of agricultural land
- Participation in any ROSCA/Savings scheme
Food security and vulnerability

▪ Number of days when ‘luxury’ food items were served
▪ Number of days when ‘inferior’ food items were served
▪ Frequency of purchase: staple food items
▪ Weeks of stock held of storable staple food items
Developing a Household Poverty Index

- Screen indicators by correlation with baseline indicator: per capita expenditure on clothing and footwear
- Select those indicators that show highest correlation with baseline indicator
- Run Principal Component Analysis (PCA) model to generate household poverty scores
- Rank all surveyed households in order of decreasing poverty
Histogram of household poverty scores

Mean = 1.37E-16
Std. Dev. = 1.000
N = 1,132
Constructing Poverty Groups

- Extensive poverty outreach

- Non Borrowers
- Borrowers

Poorest
Poor
Less Poor

(Bar chart showing the comparison between Non Borrowers and Borrowers in the Extensive poverty outreach category for the Poorest, Poor, and Less Poor groups.)
Cut-off scores and terciles for the three classes of the poor

- Client households with scores less than -0.630: Lowest
- Client households with scores between -0.631 and 0.112: Middle
- Client households with scores between 0.113 and 4.863: Higher

Poverty Score Index:
-1.599  -0.630  -0.631  0.112  0.113  4.863

Bottom non-client households
Middle non-client households
Top non-client households
Policy Implications for Deepening Outreach

- Enhanced screening of potential borrowers to identify genuine need
- Restructuring staff incentives to target and identify the core-poor
- Developing an institutional culture and ‘organizational mission’ to reach the extreme poor
- Simplification of branch operations to be low-cost, decentralized, approachable and congenial to clients.
- Diversification of the product mix and designing services and products that better suit the extreme poor
- Proximity of services to homes and clients for ease of access to services.
Thank you for your attention

Questions and comments will be appreciated

asad.ghalib@postgrad.manchester.ac.uk